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EXTERNAL DEBT CRISIS AND DEVELOPMENT

Report of the Second Committee

Rapporteur: Mr. Walter BALZAN (Malta)

I. INTRODUCTION

1. At its 3rd plenary meeting, on 18 September 1992, the General Assembly, on the recommendation of the General Committee, decided to include in its agenda the item entitled "External debt crisis and development" and to allocate it to the Second Committee.

2. The Second Committee considered the item at its 19th, 20th, 28th and 51st meetings, on 23 October, 5 November and 16 December 1992. An account of the Committee's discussion of the item is contained in the relevant summary records (A/C.2/47/SR.19, 20, 28 and 51). Attention is also drawn to the general debate held by the Committee at its 3rd to 9th meetings, from 5 to 8 October 1992 (see A/C.2/47/SR.3-9).

3. For the consideration of the item, the Committee had before it the following documents:

(a) Report of the Secretary-General on recent experience under the international debt strategy (A/47/396);

(b) Letter dated 30 January 1992 from the Permanent Representative of Sri Lanka to the United Nations addressed to the Secretary-General transmitting the text of the Colombo Declaration issued at the Sixth Meeting of the Heads of State or Government of the member countries of the South Asian Association for Regional Cooperation, held at Colombo on 21 December 1991 (A/47/82-S/23512);

(c) Letter dated 3 February 1992 from the Permanent Representative of Ukraine to the United Nations addressed to the Secretary-General (A/47/83);

(d) Letter dated 22 May 1992 from the representatives of Indonesia and Yugoslavia to the United Nations addressed to the Secretary-General transmitting the press communiqué issued at the conclusion of the Ministerial Meeting of the Coordinating Bureau of the Movement of Non-Aligned Countries, held at Bali, Indonesia, from 14 to 16 May 1992 (A/47/225-S/23998);

(e) Letter dated 2 July 1992 from the Chargé d'affaires a.i. of the Permanent Mission of Senegal addressed to the Secretary-General transmitting the position paper on the new world order prepared by the Summit Level Group for South-South Consultation and Cooperation (Group of Fifteen) at its meeting held at Caracas from 27 to 29 November 1991 (A/47/312-S/24238);

(f) Letter dated 21 July 1992 from the Chargé d'affaires a.i. of the Permanent Mission of Trinidad and Tobago to the United Nations addressed to the Secretary-General transmitting the Communiqué of the Thirteenth Meeting of the Conference of Heads of Government of the Caribbean Community, held at Port-of-Spain from 29 June to 2 July 1992 (A/47/344);

(g) Letter dated 28 July 1992 from the Permanent Representative of Singapore to the United Nations addressed to the Secretary-General transmitting the Joint Communiqué of the Twenty-Fifth ASEAN Ministerial Meeting, issued at Manila on 22 July 1992 (A/47/351-S/24357);

(h) Letter dated 11 August 1992 from the Permanent Representative of Germany to the United Nations addressed to the Secretary-General transmitting the final documents of the Munich Economic Summit, held from 6 to 8 July 1992 (A/47/375-S/24429);

(i) Letter dated 2 October 1992 from the Permanent Representative of Pakistan to the United Nations addressed to the Secretary-General transmitting the declaration of the Ministers for Foreign Affairs of the member States of the Group of 77, adopted on 1 October 1992 on the occasion of their sixteenth annual meeting, held at United Nations Headquarters in New York (A/47/499);

(j) Letter dated 20 October 1992 from the Permanent Representative of Sweden to the United Nations addressed to the Secretary-General transmitting the resolutions adopted by the 88th Conference of the Inter-Parliamentary Union, held at Stockholm from 4 to 12 September 1992 (A/47/569).

4. At the 19th meeting, on 23 October 1992, the Under-Secretary-General for Economic and Social Development made an introductory statement (see A/C.2/47/SR.19).

II. CONSIDERATION OF PROPOSALS

A. Draft decision A/C.2/47/L.4

5. By its decision 46/433 of 18 December 1991, the General Assembly, on the recommendation of the Second Committee, decided to defer until its

forty-seventh session consideration of the draft decision entitled "Establishment of an advisory commission on debt and development" (see A/C.2/47/L.4). The draft decision read as follows:

"The General Assembly decides:

"(a) To establish, under the aegis of the Secretary-General, an advisory commission on debt and development composed of eminent persons from the academic, political and financial sectors with knowledge and experience in international finance, trade and development, to develop innovative approaches and evolve specific proposals related to all types of debt in order to solve the debt problem of developing countries in a manner consistent with their sustained growth and development. Debtor and creditor interests shall be represented in the membership of the commission, which shall take into account the need for appropriate geographical representation and regional balance. The commission shall take into consideration the various existing studies and recommendations on the subject, including the views of the Secretary-General set out in his report entitled 'Towards a durable solution of the debt problem' 1/ and those expressed by the United Nations Conference on Trade and Development in the Trade and Development Report, 1988. 2/ The commission shall be established for at least three years and shall submit annual reports to the General Assembly;

"(b) To request the Secretary-General to appoint the members of the commission and organize support staff from within the United Nations and, through secondment or other appropriate means, from relevant intergovernmental organizations and bodies of the United Nations system, and to report to the General Assembly at its forty-fifth session on the implementation of the present decision."

6. At its 50th meeting, on 11 December, the Committee decided not to take action on the draft decision contained in document A/C.2/47/L.4.

B. Draft resolution A/C.2/47/L.16 and Rev.1

7. At the 28th meeting, on 5 November, the representative of Pakistan, on behalf of the States Members of the United Nations that are members of the Group of 77, introduced a draft resolution (A/C.2/47/L.16) entitled "Enhanced international cooperation towards a durable solution to the external debt crisis of developing countries", which read as follows:

1/ A/43/647 and Corr.1.

2/ United Nations publication, Sales No. E.88.II.D.8.

"The General Assembly,

"Reaffirming its resolutions 41/202 of 8 December 1986, 42/198 of 11 December 1987, 43/198 of 20 December 1988, 44/205 of 22 December 1989, 45/214 of 21 December 1990 and 46/148 of 18 December 1991,

"Reaffirming also the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, contained in the annex to its resolution S-18/3 of 1 May 1990, the International Development Strategy for the Fourth United Nations Development Decade, contained in the annex to its resolution 45/199 of 21 December 1990, the United Nations New Agenda for the Development of Africa in the 1990s, contained in the annex to its resolution 46/151 of 8 December 1991, the Programme of Action for the Least Developed Countries for the 1990s, adopted by the Second United Nations Conference on the Least Developed Countries 3/ and the provisions for a durable solution to the external debt crisis, contained in the relevant chapters of Agenda 21, adopted by the United Nations Conference on Environment and Development, held in Rio de Janeiro, Brazil, from 3 to 14 June 1992, 4/

"Noting the uneven developments towards the solution of the external debt problem of developing countries,

"Noting also that only indebted developing countries have regained relative access to international financial markets but that, even for these countries borrowing entails high costs, including high interest premiums,

"Noting with concern the continuing debt and debt-service problems of the middle-income developing countries, which adversely affect their development efforts and economic growth, and reiterating the need to address the continuing debt problem of those countries through effective debt-relief measures, bearing in mind, in this context, the lack of adequate debt-relief measures, in particular for the middle-income African countries,

"Noting also with concern the continuing existence of the heavy debt and debt-service burden of low-income countries, despite current measures,

"Noting further the recent initiatives towards the solution of the debt problem of developing countries, especially the adoption by the Paris Club of the enhanced Toronto terms and the conclusion of several agreements on commercial debt and debt-service reduction,

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3/ See Report of the Second United Nations Conference on the Least Developed Countries, Paris, 3-14 September 1990 (A/CONF.147/18), part one.

4/ See A/CONF.151/26 (vols. I, II and Corr.1, and III).

"Noting the substantial debt relief and debt reduction agreed to by the Paris Club in favour of two middle-income countries and recognizing the need to extend similar debt reduction to low-income and other middle-income countries,

"Stressing, however, that the impact of the debt-relief measures may be temporary in the absence of a supportive international economic environment, including an open and transparent multilateral trading system,

"Recognizing the continued efforts of debtor developing countries to implement stabilization and structural adjustment programmes to raise savings and investment, reduce inflation and improve economic efficiency, taking into account the vulnerability of the poorer strata of their populations,

"Expressing its concern that, in many developing countries, the burden of debt and debt service constitutes one of the major obstacles to the revitalization of growth and development, despite the often strenuous economic reforms of those countries,

"Noting that the close association between the debt crisis and virtual economic stagnation in the majority of developing countries calls for additional measures to ensure that all developing countries can rapidly reach a durable solution to their external debt problem,

"Noting also that developing countries have continued to meet their international debt and debt-service obligations in a timely fashion, despite severe external financial constraints and at the great cost of adequate basic services to their peoples,

"1. Takes note of the report of the Secretary-General concerning the external debt crisis and development; 5/

"2. Welcomes the conclusion of several arrangements on debt and debt-service reduction and the call made at the Munich Economic Summit by the seven major industrialized nations for debt-relief measures in favour of the lower-middle-income severely indebted countries; 6/

"3. Also welcomes the write-off of part of the bilateral official debt by certain donors to the least developed countries, and calls for further significant action, in particular the need for sustained and comprehensive action to deal with the external indebtedness of those countries;

5/ A/47/396.

6/ See A/47/375-S/24429.

"4. Expresses its appreciation for the recent measures announced by the Government of France to address the debt problem of some middle-income African developing countries, encourages their application and invites all creditors to take similar measures for all debtor developing countries;

"5. Notes with concern the accumulation of arrears towards the multilateral financial institutions, as well as the absence of any formal mechanism to restructure the multilateral debt of the developing countries;

"6. Stresses that the tax, regulatory and accounting practices in the industrialized countries continue to pose unnecessary obstacles to the access of debtor countries to new loans and continue to increase unduly the cost of those loans;

"7. Also stresses the need for additional debt-relief measures, including further cancellation or reduction of debt and debt service related to official and commercial debts;

"8. Further stresses the need for the broadest and most expeditious implementation of the recent initiatives in debt and debt-service reduction and the need to build upon them;

"9. Stresses the need to strengthen and broaden the debt-relief approaches to cover all types of debt and debtor countries and to include anticipatory measures to prevent the proliferation of the debt problem;

"10. Recognizes the need for international support for the efforts of debtor developing countries to continue to provide adequate social safety nets to vulnerable groups most adversely affected by the implementation of economic reform programmes in the debtor countries;

"11. Emphasizes the importance of international community support to developing countries in their efforts to achieve economic reform in order to raise savings and investment, reduce inflation and improve economic efficiency, taking into account the vulnerability of the poorer strata of their populations;

"12. Recognizes the need of debtor developing countries for a supportive international economic environment as regards, inter alia, terms of trade, commodity prices, improved market access and trade practices and, in this connection, stresses the urgent need for a balanced and successful outcome of the Uruguay Round of multilateral trade negotiations, which would result in the liberalization and expansion of world trade to the benefit of all countries, in particular the developing countries;

"13. Reiterates the need for a coordinated approach involving debtor developing countries, creditor developed countries, commercial banks and multilateral financial institutions, with a view to reducing the debt and debt service of developing countries far beyond the scope of the current terms, which would allow recovery, growth and development in developing countries;

"14. Emphasizes the need to provide substantial concessional and non-debt resources to developing countries, with a view to promoting the revival of their economic growth and sustained development;

"15. Calls upon creditor Governments and multilateral financial institutions to take duly into account that while debt-relief measures are needed to reduce the debt burden, fresh financial resources are also needed to increase the rate of investment and to accelerate the economic growth of developing countries;

"16. Urges the international community to consider wider application of innovative measures, such as debt-for-equity swaps, debt swaps for the protection of nature and debt-for-development swaps;

"17. Stresses the need for sustained action in addressing the debt problem of low-income countries and, in this regard, calls for early, expeditious and wide implementation of the enhanced Toronto terms, as well as for their urgent improvement, in order to address fully the continuing debt problem of those countries;

"18. Calls upon creditors to renew and expand initiatives and efforts in order to tackle the problems of the increasing commercial debt burden of low- and middle-income countries;

"19. Urges countries that have not yet responded to Trade and Development Board resolution 165 (S-IX) of 11 March 1978 7/ by cancelling or providing equivalent relief for the official development assistance debt of the least developed countries, to do so on a priority basis;

"20. Urges creditor countries, private banks and multilateral financial institutions to consider the extension of new financial support to developing countries that have substantial debt burdens and that continue to service their debt and meet their international obligations;

"21. Requests the Secretary-General to report to the General Assembly at its forty-eighth session on the implementation of the present resolution."

7/ Official Records of the General Assembly, Thirty-third Session, Supplement No. 15 (A/33/15), vol. I and corrigendum, annex I.

8. At the 51st meeting, on 16 December 1992, the Vice-Chairman of the Committee, Mr. José Lino Guerrero (Philippines), informed the Committee of the results of the informal consultations held on the draft resolution and drew the Committee's attention to a revised draft resolution (A/C.2/47/L.16/Rev.1), submitted by the sponsor of draft resolution A/C.2/47/L.16, and orally revised it as follows:

(a) In operative paragraph 6, insert the word "the" in the fourth line after the word "to";

(b) In operative paragraph 10, in the fourth line, for "burden" read "burdens".

9. Before the adoption of the revised draft resolution, the representative of France made corrections to the French text (see A/C.2/47/SR.51).

10. At its 51st meeting, the Committee adopted draft resolution A/C.2/47/L.16/Rev.1, as orally revised, by a recorded vote of 109 to 1 (see para. 12). The voting was as follows: 8/

In favour: Afghanistan, Algeria, Angola, Antigua and Barbuda, Argentina, Australia, Austria, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Benin, Bolivia, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Burundi, Cameroon, Canada, China, Colombia, Congo, Costa Rica, Côte d'Ivoire, Croatia, Cuba, Cyprus, Denmark, Egypt, Ethiopia, Finland, France, Gabon, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guyana, India, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kenya, Kuwait, Lao People's Democratic Republic, Lesotho, Liberia, Libyan Arab Jamahiriya, Luxembourg, Malaysia, Maldives, Mali, Malta, Mauritania, Mongolia, Morocco, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Niger, Nigeria, Norway, Oman, Pakistan, Philippines, Poland, Portugal, Qatar, Republic of Korea, Russian Federation, Saudi Arabia, Senegal, Singapore, Spain, Sri Lanka, Suriname, Sweden, Syrian Arab Republic, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, Uruguay, Vanuatu, Venezuela, Viet Nam, Yemen, Zambia, Zimbabwe.

Against: United States of America.

8/ The representative of Chile, Ecuador, Mexico and Nicaragua indicated that, had they been present at the time of the voting, they would have voted in favour.

11. At the same meeting, in the light of the adoption of the draft resolution A/C.2/47/L.16/Rev.1, draft resolution A/C.2/47/L.16 was withdrawn by its sponsor.

III. RECOMMENDATION OF THE SECOND COMMITTEE

12. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

International debt crisis and development: enhanced international cooperation towards a durable solution to the external debt problems of developing countries

The General Assembly,

Recalling its resolutions 41/202 of 8 December 1986, 42/198 of 11 December 1987, 43/198 of 20 December 1988, 44/205 of 22 December 1989, 45/214 of 21 December 1990 and 46/148 of 18 December 1991,

Reaffirming the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries, contained in the annex to its resolution S-18/3 of 1 May 1990, the International Development Strategy for the Fourth United Nations Development Decade, contained in the annex to its resolution 45/199 of 21 December 1990, the Programme of Action for the Least Developed Countries for the 1990s, adopted by the Second United Nations Conference on the Least Developed Countries, 9/ the United Nations New Agenda for the Development of Africa in the 1990s, contained in the annex to its resolution 46/151 of 8 December 1991, the Cartagena Commitment: A New Partnership for Development, adopted by the United Nations Conference on Trade and Development at its eighth session, and the provisions on a durable solution to the external debt crisis, contained in the relevant chapters of Agenda 21, adopted by the United Nations Conference on Environment and Development, held at Rio de Janeiro, Brazil, from 3 to 14 June 1992, 10/

Noting that owing to uneven developments, further progress is needed towards the solution of the external debt problems of a large number of developing countries, in the context of the evolving international debt strategy,

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9/ See Report of the Second United Nations Conference on the Least Developed Countries, Paris, 3-14 September 1990 (A/CONF.147/18), part one.

10/ See Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992 (A/CONF.151/26, vols. I, II and Corr.1, and III).

Noting also that a few indebted developing countries have regained relative access to international financial markets under the difficulties described in the report of the Secretary-General, 11/

Noting with concern the continuing debt and debt-service problems of lower-middle-income developing countries, which adversely affect their development efforts and economic growth, and reiterating the need to address the continuing debt problems of those countries through effective debt-relief measures, bearing in mind, in this context, the special situation of lower-middle-income and certain middle-income African countries,

Noting also with concern the continuing existence of the heavy debt and debt-service burden of low-income countries,

Noting with appreciation the recent initiatives towards the solution of the debt problems of some developing countries, inter alia, the adoption by the Paris Club of the "enhanced terms" 12/ and the conclusion of several agreements on commercial debt and debt-service reduction,

Noting the substantial debt relief and debt reduction agreed to by the Paris Club in favour of two middle-income countries,

Stressing the importance of alleviating the debt and debt-service burdens of low- and middle-income developing countries with public debt problems,

Stressing also, in this context, the necessity of a supportive international economic environment, including an open and transparent multilateral trading system,

Emphasizing the importance for debtor developing countries to continue to pursue and intensify their efforts in their economic reforms, stabilization and structural adjustment programmes, to raise savings and investment, reduce inflation and improve economic efficiency, taking into account their individual characteristics and the vulnerability of the poorer strata of their populations,

Expressing its concern that, in many developing countries, the burden of debt and debt service constitutes one of the major obstacles to the revitalization of growth and development, despite the often strenuous economic reforms of those countries,

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11/ A/47/396.

12/ The "enhanced terms" are the terms offered by the Paris Club for the poorest, most indebted developing countries.

Noting that those developing countries which have continued, at great cost, to meet their international debt and debt-service obligations in a timely fashion have done so despite severe external and domestic financial constraints,

1. Takes note of the report of the Secretary-General concerning the external debt crisis and development; 11/

2. Welcomes the conclusion of several agreements on commercial bank debt and debt-service reduction under the evolving international debt strategy and takes note of relevant declarations recognizing the debt problems of some highly indebted lower-middle-income countries, taking into account their special and specific situations; 13/

3. Also welcomes the write-off of a significant part of the bilateral official debt by certain donors to the least developed countries, and urges the countries that have not done so to cancel or provide equivalent relief for the official development assistance debt of the least developed countries;

4. Expresses its appreciation for the initiatives taken by developed countries, including recent initiatives to address the debt problems of some middle-income African countries, encourages their application and invites all creditor countries to consider taking relevant measures for middle-income debtor developing countries;

5. Stresses the need for the broadest and the most expeditious implementation of the recent initiatives and for continuing to build upon them, inter alia, in order to prevent the proliferation of debt problems;

6. Also stresses the need for the implementation of additional debt-relief measures, including further cancellation or reduction of debt and debt service related to official debt, and for more urgent action with regard to the remaining commercial debt owed by developing countries;

7. Recognizes the urgent need to continue to provide a social safety net to vulnerable groups most adversely affected by the implementation of economic reform programmes in the debtor countries, in particular low-income groups, in order to ensure social and political stability;

8. Emphasizes the importance for developing countries to continue their efforts to promote a favourable environment for attracting foreign investment, thereby promoting economic growth and sustainable development;

9. Recognizes the need of debtor developing countries for a supportive international economic environment as regards, inter alia, terms of trade, commodity prices, improved market access and trade practices, and, in this

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13/ See A/47/375-S/24429.

connection, stresses the urgent need for a balanced and successful outcome of the Uruguay Round of multilateral trade negotiations, which would result in the liberalization and expansion of world trade to the benefit of all countries, in particular the developing countries;

10. Reiterates the need for the implementation of initiatives involving developing debtor countries, developed creditor countries, commercial banks and multilateral financial institutions, with a view to easing the debt and debt-service burdens of severely indebted developing countries, which would contribute to recovery, growth and development in developing countries;

11. Stresses the need, in addition to debt-relief measures that include debt and debt-service reduction, for new financial flows to debtor developing countries, and urges the creditor countries and the multilateral financial institutions to continue to extend concessional financial assistance, as appropriate, in order to support the implementation by the developing countries of their economic reforms, stabilization and structural adjustment programmes so as to enable them to extricate themselves from the debt overhang and to assist them in achieving economic growth and development;

12. Urges the international community to consider wider application of innovative measures, such as debt-for-equity swaps, debt-for-nature swaps and debt-for-development swaps;

13. Stresses the need for sustained action in addressing the debt problems of low-income countries and, in this regard, calls for early, expeditious and wide implementation of the enhanced terms currently offered to low-income countries by the Paris Club, as well as, where necessary, their extension;

14. Calls upon private creditors to renew and expand initiatives and efforts in order to tackle the commercial debt problems of low- and middle-income developing countries;

15. Urges creditor countries, private banks and, within their prerogatives, multilateral financial institutions to consider the extension of appropriate new financial support to developing countries, in particular the low-income countries with substantial debt burdens that continue, at great cost, to service the debt and meet their international obligations;

16. Requests the Secretary-General to report to the General Assembly at its forty-eighth session on the implementation of the present resolution.